

Kyocera Corporation Telephone Conference Call (April 26, 2007)

P1/ President, Makoto Kawamura

P6/ Executive Officer and General Manager of Corporate Financial and Accounting Group, Shoichi Aoki

President, Makoto Kawamura

I will discuss consolidated financial results for the year ended March 31, 2007 ("fiscal 2007").

<Consolidated Results for the Year Ended March 31, 2007>

Please turn to page 5 of the financial results handout.

Please note that Kyocera Corporation sold Kyocera Leasing Co., ("Kyocera Leasing") Ltd. in August 2006. Accordingly, figures for the year ended March 31, 2006 ("the previous year") have been retrospectively reclassified. The impacts therefrom are stated in note 1, under the table below.

The market environment was favorable during fiscal 2007 due to burgeoning demand for digital consumer equipment such as mobile phone handsets, digital TVs and new game consoles. Under such favorable market environment, one of our main priorities in fiscal 2007 was to strengthen Kyocera's unique "Amoeba Management System," which underscores my management policy. Under this system, we worked to vitalize all departments and to increase ability to achieve goals throughout Kyocera Group. In addition, Kyocera Group worked hard to launch new products and to improve productivity with the objectives of driving sustainable sales growth and realizing high profitability. As a result, we achieved sales and profit growth in both the Components Business and the Equipment Business for two fiscal years in a row.

Consolidated net sales for fiscal 2007 increased by 9.4% compared with the previous year, to ¥1,283.9 billion. Profit from operations increased by 35.5% to ¥135.1 billion. The operating profit ratio was up 2.0 percentage points year-on-year to 10.5% due to the positive effect of increased sales and to new product introductions, which were more than sufficient to offset a one-time expense of around ¥9 billion, including warranty reserve in the solar energy business and a loss on disposal of PHS inventory for China. Income from continuing operations before income taxes ("pre-tax income") amounted to ¥156.5 billion, an increase of 33.5%. The pre-tax income ratio was 12.2%, and, accordingly, the operating profit ratio and the pre-tax income ratio both posted double-digit profitability.

Net income was ¥106.5 billion, an increase of 52.8% compared with the previous year, due to a

tax refund in the amount of ¥4.3 billion as a result of the voidance of a portion of the tax assessment related to transfer pricing adjustment and to a one-time gain as a result of the sales of Kyocera Leasing Co., Ltd. in the amount of ¥5.2 billion. The net income ratio was 8.3%. As a result, diluted earnings per share stood at ¥565.

Let's turn to average exchange rates for fiscal 2007 as shown two lines above from the bottom of the table. The yen depreciated ¥4 against the U.S. dollar, to ¥117, and ¥12 against the Euro, to ¥150, relative to the previous year. Consequently, net sales and pre-tax income after translation into yen were pushed up by ¥39.6 billion and ¥15.7 billion, respectively.

Next, I will explain results by reporting segment. Page 7 and 8 of the financial results handout shows net sales and operating profit by reporting segment. First, I will explain the results of the Components Business.

The Components Business recorded increases in sales and operating profit in all four reporting segments.

Sales and profits in the Components Business, as a whole, increased by 11.9% and 34.6%, respectively, compared with the previous year. The operating profit ratio of the Components Business was 16.1%.

Next, I will discuss each reporting segment in the Components Business.

Sales in the Fine Ceramic Parts Group increased by 17.2% compared with the previous year due mainly to an increase in demand for ceramic parts used in semiconductor fabrication equipment, a field in which we command high market share, on the back of strong production activity in the semiconductor industry. Operating profit increased by 42.3% and the operating profit ratio was 19.3%.

Sales in the Semiconductor Parts Group increased by 12.6% compared with the previous year due to rising demand for surface mount device (SMD) packages and packages for CCD/CMOS image sensors used in mobile phone handsets and digital cameras. Operating profit increased by 25.2% and the operating profit ratio was 14.6%.

The Applied Ceramic Products Group posted an increase in sales of 11.5% on account of strong sales in the solar energy business in Europe as well as medical materials and cutting tool

businesses. Operating profit, even after setting aside product warranty costs recorded as one-time costs in the solar energy business, increased by 2.1%. The operating profit ratio was 17.0%.

I will now explain results for the Electronic Device Group, the final segment in the Components Business. Sales of capacitors, crystal related products and connectors increased. In addition, AVX Corporation, a U.S. subsidiary, showed steady sales growth of 12.4% compared with the previous year on a U.S. dollar basis. As a result, sales in this segment increased by 10.2% compared with the previous year, and operating profit increased a significant 63.7%. The operating profit ratio was 15.5%.

Let's move on to results for the Equipment Business.

The Telecommunications Equipment Group posted favorable sales of new models of mobile phone handsets both in the domestic and overseas markets. In particular, "W44K", 15 mm slim WIN handset, was a hit product in the domestic market. As a result, sales in the business increased by 9.7% compared with the previous year. Despite losses resulted from disposal of PHS inventory for China in the fourth quarter of fiscal 2007, operating profit in the amount of ¥0.3 billion was recorded, which was an improvement by ¥2.0 billion from loss of ¥1.7 billion recorded in the previous year, due to the positive effect of higher sales of mobile phone handsets in Japan coupled with reduced loss at Kyocera Wireless Corp. (KWC).

Sales in the Information Equipment Group increased by 7.8% compared with the previous year due to robust sales of digital multifunctional products and printers, particularly overseas, resulting from aggressive new product introductions and reinforced marketing activities. Higher sales and yen depreciation against European currencies and the U.S. dollar also brought a positive effect. As a result, operating profit in this segment increased by 28.6% compared with the previous year. The operating profit ratio was 12.6%.

Sales in the Optical Equipment Group decreased by 21.7% compared with the previous year due mainly to the downsizing of the camera business. Operating loss was ¥1.9 billion, an improvement of approximately ¥4 billion from the ¥5.8 billion loss recorded in the previous year. This is because there was no expense for structural reforms during fiscal 2007, whereas there were such one-time expenses in the previous year.

Sales and operating profit in "Others" segment increased by 7.0%, compared with the previous

year, due mainly to growth in the telecommunications engineering business of Kyocera Communication Systems Co., Ltd. (KCCS). Despite the increase in operating profit at Kyocera Chemical Corporation, operating profit in this reporting segment declined by 2.3% compared with the previous year due to impairment of goodwill at a subsidiary of KCCS.

"Corporate" decreased by 33.0% compared with the previous year, due to the lack of the one-time gain on sales of investment in Taito Corporation (¥6.9 billion) which was recorded in the previous year.

“Equity in earnings (losses) of affiliates and unconsolidated subsidiaries” improved by ¥3.8 billion from loss of ¥1.2 billion in the previous year due to improved performance at Willcom, Inc. contributed through Kyocera's equity holding therein. Taking "Adjustments and eliminations" into account, consolidated pre-tax income amounted to ¥156.5 billion, an increase of 33.5% compared with the previous year. The pre-tax income ratio was 12.2%.

<Consolidated Forecasts for the Year Ending March 31, 2008>

Finally, I will explain consolidated financial forecasts for the year ending March 31, 2008 ("fiscal 2008") announced today, so please turn to page 10 of the financial results handout and look at the table at the bottom in the page.

Kyocera forecasts consolidated net sales in the amount of ¥1.33 trillion in fiscal 2008, up 3.6% as compared with fiscal 2007 and this will be Kyocera's record high sales.

As a negative aspect for our business, we estimate that depreciation cost will increase to ¥79.0 billion in fiscal 2008 from ¥70.2 billion which was recorded in fiscal 2007, as a result of the tax reform in Japan.

Kyocera forecasts, however, profit from operations in the amount of ¥151.0 billion, an increase of 11.8% compared with fiscal 2007, an operating profit ratio of 11.4%, pre-tax income in the amount of ¥166.0 billion, an increase of 6.0% compared with fiscal 2007, and a pre-tax income ratio of 12.5%.

Net income will be ¥103.0 billion, a decrease of 3.3% compared with fiscal 2007. It is due to the lack of temporary income recorded in fiscal 2007, such as a refund of transfer price taxation and a gain on sale of Kyocera Leasing Co. Ltd. Net income ratio is expected to be 7.7%.

For the purpose of the forecast we employ the exchange rate of ¥110 against 1 US dollar and ¥150 against 1 Euro, which means we expect appreciation of yen against those currencies compared to the current exchange rates. Based on such forecast exchange rates, estimated negative impact on

net sales is approximately ¥34.0 billion and on pre-tax income is ¥7.0 billion compared with fiscal 2007.

As you all may know, Kyocera's immediate management goals are to achieve a pre-tax income ratio of over 15% on a consolidated basis. We have worked hard to steadily boost profits for the past three fiscal years, and now we are within sight of achieving our goal.

Kyocera projects the production of digital consumer equipment to remain at a high level during fiscal 2008, and accordingly, demand for components used in these products is expected to stay strong, hence component price decline is expected to stay moderate. Amid such a favourable market environment, Kyocera will continue to launch new products, expand sales of high-value-added products and cultivate new markets in the Components Business to capture the chance for the growth of businesses. In the Equipment Business, Kyocera will strive to expand sales and improve profitability by augmenting its product line-up through aggressive new product introductions, including mobile phone handsets that meet the domestic market needs, and printers and digital multifunctional products, especially color models.

For sustainable growth of our Group's business in mid-to long-term perspective, we plan to make capital expenditures to increase production capacity.

Capital expenditures in fiscal 2008 is projected to be ¥86.0 billion, an increase of ¥16.1 billion compared with fiscal 2007. Kyocera plans to make capital investment to increase the production of items expected to be in high demand going forward, such as solar cells, electronic devices and fine ceramic parts.

Kyocera Group will continue strengthening the "Amoeba Management System" while looking to create new businesses and markets and to strengthen strategic businesses by leveraging group synergies. These are part of my key management policies in fiscal 2008 to "create new value." We aim to attain forecasts for fiscal 2008 and to achieve sustainable sales expansion and a high profit ratio.

Executive Officer and General Manager of Corporate Financial and Accounting Group, Shoichi Aoki

<Consolidated Statements of Income>

I will now begin with a summary of the Consolidated Statements of Income, so please turn to page 15 of the financial results handout. As President Kawamura already discussed, figures for the previous year have been retroactively reclassified in line with the sale of Kyocera Leasing Co., Ltd. ("Kyocera Leasing").

Net sales in fiscal 2007 amounted to ¥1,283.9 billion, up 9.4% compared with the previous year, due to burgeoning component demand and aggressive new product introductions in the Equipment Business.

Cost of sales stood at ¥900.5 billion, an increase of 7.8% from the previous year, in line with the increase in sales. The cost of sales ratio improved by 1.1 percentage points from 71.2% in the previous year to 70.1% due to an improvement in productivity.

Selling, general and administrative expenses (SG&A expenses) increased by ¥9.5 billion over the previous year, to ¥248.3 billion. The primary reasons for this were increases in sales promotion costs due to vigorous marketing efforts and in software development costs in the Equipment Business.

As a result, profit from operations for fiscal 2007 amounted to ¥135.1 billion, with a profit ratio of 10.5%. This result was a significant increase of ¥35.4 billion, or 35.5%, compared with ¥99.7 billion in the previous year.

Next, let's look at other income and expenses. Interest and dividend income totalled ¥15.5 billion, up ¥6.5 billion compared with the previous year. This increase was due primarily to an increase in dividends from KDDI Corporation ("KDDI") and in interest income in Kyocera Corporation and a U.S. subsidiary.

Skipping two line items, equity in earnings of affiliates and unconsolidated subsidiaries improved by ¥3.8 billion compared with the previous year, with equity method income from WILLCOM Inc., an affiliate of Kyocera, being the principal contributor.

Total other income amounted to ¥21.4 billion, including gains on sales and maturities of securities, net, in the amount of ¥3.8 billion. In the previous year, Kyocera recorded ¥5.3 billion in gain on exchange for the shares in connection with the exchange of shares in UFJ Holdings, Inc., ¥6.9 billion in gain on sale of investment in an affiliate accounted for by the equity method relating to the sale of Kyocera's shares in Taito Corporation. Despite the lack of those factors in fiscal 2007, due to the increases in the interest and dividend income and equity in earnings of affiliates and unconsolidated subsidiaries, and due to the lack of loss on devaluation of investment in an

affiliate in the amount of ¥3.5 billion which was recorded in the previous year, total other income for fiscal 2007 amounted to ¥21.4 billion, up ¥3.9 billion compared with the previous year.

Accordingly, income from continuing operations before income taxes and minority interests for fiscal 2007 totaled ¥156.5 billion, up a considerable 33.5% compared with the previous year. The profit ratio was 12.2%.

The next line item, income taxes, in the amount of ¥48.9 billion, includes refunded tax of ¥4.3 billion in line with the retraction of a portion of the punishment relating to transfer pricing taxation. Subtracting minority interests in the amount of ¥6.3 billion from income from continuing operations before minority interests, and adding in ¥5.2 billion in income from discontinued operations that is gain on sale of shares in Kyocera Leasing, we are left with net income for fiscal 2007 in the amount of ¥106.5 billion, marking a considerable improvement of approximately 52.8% over the previous year. The profit ratio was 8.3%.

That concludes my presentation on the Consolidated Statements of Income. I will now explain the Consolidated Balance Sheets, so please turn back two pages to page 13.

<Consolidated Balance Sheets>

First, let's look at assets. I will explain by making comparisons with previous fiscal year-end figures.

Consolidated total assets, shown at the bottom, amounted to ¥2,130.5 billion as of the end of fiscal 2007, up ¥198.9 billion from ¥1,931.5 billion as of March 31, 2006.

Figures for the end of March 31, 2006 include total assets of Kyocera Leasing, which was sold in August last year, in the amount of ¥125.1 billion.

Total current assets amounted to ¥1,046.5 billion, up ¥125.8 billion compared with March 31, 2006.

Total non-current assets were ¥1,084.0 billion, up ¥73.1 billion.

Let's look at current assets. Cash and cash equivalents decreased by ¥18.6 billion as compared with March 31, 2006, to ¥282.2 billion. Cash out from the payment of dividends and the purchase of negotiable certificates of deposit and long-term fixed deposits were the primary factors behind the decrease, more than off-setting cash in from the sale of shares in Kyocera Leasing at Kyocera Corporation and of government bonds.

Short-term investments increased by ¥125.6 billion as compared with March 31, 2006, to ¥213.5 billion. This increase was due primarily to the purchase of negotiable certificates of deposit, as I just mentioned.

Skipping one line item, trade accounts receivable stood at ¥236.4 billion, up ¥26.0 billion, mainly on account of the increase in sales.

Previously, Kyocera included the short-term loan receivables of Kyocera Leasing in short-term finance receivables, the next line item. As Kyocera Leasing has been excluded from the scope of consolidation due to the sale of its shares, the amount outstanding has disappeared.

Skipping one line item, inventories amounted to ¥209.2 billion, an increase of ¥18.6 billion from March 31, 2006. The primary reasons for this increase were an increase in inventories at Kyocera Mita Group due to the introduction of new products, and an increase in work in process at Kyocera Corporation and AVX in line with an increase in production.

Next, let's look at non-current assets. Total investments and advances, around the middle of the page, amounted to ¥700.7 billion, up ¥139.9 billion.

The primary reason for this increase was an increase in the market value of KDDI shares held by Kyocera Corporation included in securities and other investments.

In long-term finance receivables, the amount outstanding has disappeared due to the sale of Kyocera Leasing.

Property, plant and equipment, net of depreciation, decreased by ¥4.4 billion.

Consolidated capital expenditures for fiscal 2007 totaled ¥69.9 billion and depreciation totaled ¥70.2 billion.

Other assets increased by ¥23.6 billion, to ¥44.9 billion, as Kyocera recorded a pension reserve shortage, or advanced pension costs, on the balance sheet in line with the introduction of new accounting standards for pensions in U.S. accounting standards from this fiscal year. Kyocera records these costs as advanced pension costs rather than reserve shortage in accord with various changes made to its pension system in the past few years. That concludes my explanation of assets.

Let's move on one page to page 14 and I will explain total liabilities, minority interests and stockholders' equity.

Total liabilities decreased by ¥28.5 billion compared with March 31, 2006, to ¥549.0 billion. Minority interests in subsidiaries, one line item below, in the amount of ¥66.9 billion, which consist primarily of interests in AVX Corporation held by investors other than Kyocera Corporation, increased by ¥2.0 billion.

Total stockholders' equity increased by ¥225.5 billion, to ¥1,514.6 billion. I will explain the reason for this later.

Total current liabilities decreased by ¥72.4 billion compared with March 31, 2006, to ¥306.2 billion.

Short-term borrowings decreased by ¥75.6 billion compared with March 31, 2006, to ¥15.3 billion, due to the sale of Kyocera Leasing.

Current portion of long-term debt decreased by ¥10.5 billion due to reduced debt through the sale

of Kyocera Leasing and the complete discharge of debt at Kyocera Kinseki.

Non-current liabilities increased by ¥43.9 billion compared with March 31, 2006, to ¥242.8 billion.

Looking at a breakdown of this, the decrease in long-term debt, the next line item, was due to the sale of Kyocera Leasing.

Skipping one line item, deferred income taxes were ¥206.9 billion, up ¥81.2 billion from March 31, 2006. This increase was due to an increase in income tax liabilities in line with an increase in the market value of KDDI shares and the introduction of new accounting standards for pensions.

Next, let's look at stockholders' equity.

Retained earnings increased by ¥87.7 billion to ¥1,055.3 billion after deducting cash dividends in the amount of ¥18.8 billion paid during the fiscal year from net income of ¥106.5 billion.

Accumulated other comprehensive income increased by ¥130.1 billion, to ¥203.1 billion. The breakdown of this increase is shown in the footnotes. Net unrealized gains on securities increased by ¥102.0 billion compared with the end of March 31, 2006, to ¥184.7 billion, due primarily to a rise in the market value of KDDI shares.

Minimum pension liability adjustments posted a positive result this fiscal year due to the introduction of new accounting standards for pensions.

As a result, the stockholders' equity ratio was 71.1% at the end of the fiscal year, up 4.4 percentage points from 66.7% at the end of March 2006. The main reason for this increase was the significant decrease in liabilities due to the sale of Kyocera Leasing.

That concludes my brief presentation on the Consolidated Balance Sheets.